

URL: <https://stvp.stanford.edu/clips/motivation-through-equity-and-risk-taking>

Idealab Founder and CEO Bill Gross articulates two organizational ways his company develops motivation. The first is to ensure employees working on a new spin-off venture each have a true equity stake in the startup company. The second is to encourage risk-taking at Idealab through the company's willingness to shut down unsuccessful projects with no negative impact to employees. According to Gross, "If you really want to have some breakthrough new thing, you can't have someone worrying about their job being on the line, for trying something bold and new."



Transcript

One other thing I had realized back from Knowledge Venture as well, on motivation was that whenever we start a new division inside Knowledge Venture, it was very hard to come up with the incentive structure, to not have that incentive for that particular group conflict with the incentives of the overall company.. I really felt that equity is such a great driver of performance and such a great motivator that I really wanted to have the most equity available for someone.. But at Knowledge Venture, once we had grown to 250 people, almost by definition, the maximum number of equity someone could have was 0.4 percent, just taking the whole 100 percent and dividing it evenly.. You can't do that.. You have investors and so on.. There's a magic that happens when you can get people above one percent in a company.. People really feel like they have a significant stake when they have that.. So, one of the other ideas of Idealab was by starting these separate independent companies, it was sort of like manufacturing new 100-percent equity pool for each project.. Each new project that would form as a company, I have a new 100 percent to play with.. So, I can start bringing in people with higher equity stakes, albeit smaller companies..

But the thing is they have more control and impact over it and that was very motivating to them.. So, we started Idealab and we came up with this process.. We would start out and look for big problems and challenges that the world will face.. We'll try and brainstorm technological solutions to them and then start prototyping the idea like crazy and then kill a lot of things that don't work.. The particular idea that I had at Idealab was to be able to kill things with no negative impact to people because as much as you say that you want to encourage risks and take chances and all that, if people see people getting fired or laid off, when they take a risk, it doesn't pay off, they won't do it.. I mean, it doesn't matter what you say, everybody sees what's going on.. So, the structure of Idealab was I could hire a bunch of great people in Idealab who are always going to be working on new ideas.. The ones that don't work out, we just shelve and work on new ideas.. The ones that pass will form a company and that will get handed off to new people.. Sometimes the people who work in the product might want to go with it..

But new people would come to it.. We have to recruit those new people to come to it.. In that way, it made it very easy for people to see that they can take chances on things and try new risky things and they're not going to get fired.. That's a really crucial thing if you want to really have some breakthrough new thing.. You can't have someone worrying about their job being on the line about taking a risk to try something bold and new.. So, that was one of the important structural things we realized when we set up for Idealab...